



## **EXPORT-IMPORT BANK**

### **Information Request on U.S. and Foreign Content in Transformational Exports**

**AGENCY:** Export-Import Bank of the United States.

**ACTION:** Notice.

**SUMMARY:** To assist the Export-Import Bank of the United States (EXIM) in the implementation of its historic seven-year reauthorization and directive to establish a new “Program on China and Transformational Exports” (“directive”), EXIM seeks information on the level of U.S. and foreign content in U.S. exports in the identified transformational export areas.

**DATES:** Comments are due on **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

**ADDRESSES:** Interested parties may submit comments on this transaction electronically on [www.regulations.gov](https://www.regulations.gov). To submit a comment, enter “Information Request on U.S. and Foreign Content in Transformational Exports” under the heading “Enter Keyword or ID” and select Search. Follow the instructions provided at the Submit a Comment screen. Please include your name, company name (if any) and “Information Request on U.S. and Foreign Content in Transformational Exports” on any attached document. Comments can also be sent by email or mail to Scott Condren, [Scott.Condren@exim.gov](mailto:Scott.Condren@exim.gov), Export-Import Bank of the United States, 811 Vermont Ave., N.W., Washington, DC 20571.

**FOR FURTHER INFORMATION CONTACT:** To request additional information, please contact Scott Condren, [Scott.Condren@exim.gov](mailto:Scott.Condren@exim.gov), 202-565-4277.

#### **SUPPLEMENTARY INFORMATION:**

##### **Background**

On December 17<sup>th</sup>, 2020, the Board of Directors of EXIM approved new content principles for ten congressionally defined transformational areas as part of the Program on China and Transformation Exports (PCTE). Under the new principles, full EXIM support is available for

eligible transformational export transactions having a U.S content level of 51% or more, down from the previous level of 85% for medium and long-term transactions. The principles also allows EXIM to consider full support for transactions with less than 51% U.S. content if certain pre-requisites are met, including the exporter providing an acceptable actionable written plan to increase U.S. based jobs in the next 3-5 years and at least one of seven factors being applicable to the transaction. Finally, the Board also made Chinese content presumptively ineligible for transactions financed under the transformational exports content policy, as well as providing for incentives to maximize U.S. content.

A narrow implementation of the transformational export area principles would limit EXIM's support of foreign content to what is currently called "eligible foreign content," or foreign content that is included in a U.S. export contract and shipped from the United States.

Furthermore, for financings covered by the new principles, all Chinese content would be considered "ineligible foreign content," meaning the dollar value would be subtracted from the value of the U.S. export contract that EXIM is financing.

A more expansive implementation would allow for EXIM to support goods in a U.S. exporter's contract (including those supplied by foreign subsidiaries and sub-suppliers) that ship directly from a third country to a foreign buyer. While supporting such shipments raises the question about the feasibility of applying EXIM's current U.S. flag shipping policy to such exports, first and foremost, EXIM wants to ensure that any expansion of the types of foreign content supported results in more U.S. jobs, as supporting U.S. jobs remains the core purpose of EXIM. Current guidance is the new principles allow up to 49% of eligible foreign content in transformational exports transactions, based on the percentage of U.S. content in shipments from the United States. Transactions with more than 49% eligible foreign content may be eligible if the previously mentioned pre-requisites are met.

For reference, EXIM currently uses the following terms and definitions for transformational exports:

U.S. content: U.S. content includes U.S. labor, material costs, direct overhead, profit, mark-up, indirect overhead and costs (R&D, sales and marketing, etc.), and all other costs incurred in the United States. The U.S. content in an export is therefore generally found by subtracting the cost of foreign inputs from the U.S. export's price, rather than identifying and quantifying the amount of each U.S. input.

Eligible foreign content: foreign content in the export contract that is incorporated in the U.S. exports and/or ships from the United States.

Ineligible foreign content: foreign content in an export contract that does not ship from the United States. For purposes of the content policy applicable to transformational exports, it also includes Chinese content shipped from either the United States or elsewhere.

For example, a U.S. electric vehicle (included in the energy efficiency transformational areas) is manufactured in the United States, but the vehicle's tires are manufactured in Mexico. U.S. content in the vehicle would be sales price of the vehicle minus the cost of the tires. The tires installed in the United States would be eligible foreign content and included in EXIM's financing as long as they were no more than 49% of the value of the car. If the foreign buyer also bought spare tires, which shipped directly from Mexico to the foreign buyer, such spares would be considered ineligible foreign content, and thus not receive EXIM financing. If such tires were shipped by U.S. exporter from the U.S., however, they would be considered eligible foreign content.

This notice requests comments and information from the public regarding how EXIM can continue implementing this program in a way that supports EXIM's charter and American job creation. Specifically, EXIM welcomes feedback that assists EXIM in:

- Estimating the average annual value of U.S. exports in each of the ten transformational areas that could potentially need EXIM support over the next 5 years.

- Estimating the average/typical percent of U.S. content in the supply chain of each of the ten areas, with (if less than 85% percent U.S. content) commentary as to why.
- Estimating the average/typical percent of foreign content in each area for which it is infeasible to bring it through the U.S. prior to shipping to the final buyer, with (if more than 0% foreign content) commentary as to why.
- Estimating the average/typical percent of foreign content for each area that is from China, with (if more than 0% Chinese content) commentary on the relative ease/difficulty to source that content from a non-Chinese entity.
- Evaluating the availability, typical timing and cost implications of requiring U.S. shipping for foreign-port-of-origin shipments from a third country to the buyer/borrower via ocean transport.
- Evaluating the typical timing and cost implications of prohibiting Chinese shipping for any foreign-port-of-origin shipments from a third country to the buyer/borrower.

## **Written Comments**

EXIM is interested in comments and information related to the ability of EXIM's new content policy to be successful in supporting exporters competing with the People's Republic of China.

The congressionally defined transformational export areas are:

- Artificial intelligence.
- Biotechnology.
- Biomedical sciences.
- Wireless communications equipment (including 5G or subsequent wireless technologies).
- Quantum computing.
- Renewable energy, energy efficiency, and energy storage.
- Semiconductor and semiconductor machinery manufacturing.

- Emerging financial technologies (including technologies that facilitate financial inclusion through increased access to capital and financial services; data security and privacy; payments, the transfer of funds, and associated messaging services; and efforts to combat money laundering and the financing of terrorism).
- Water treatment and sanitation (including technologies and infrastructure to reduce contaminants and improve water quality).
- High-performance computing;
- Associated services necessary for use of any of the foregoing exports.

EXIM requests respondents to be explicit as to which transformational area they are addressing. Exporters should identify whether they are an exporter of a transformational technology, or if company exports products or services used by a transformational area, as well as specifying the relevant transformational area. Please indicate, where applicable, whether your response applies to foreign content shipped from the U.S., U.S. content shipped from a foreign port, and/or foreign content shipped from a foreign port. EXIM would appreciate commentary on:

1. Average U.S. exports over the last five years and expected U.S. export values over the next five years.
  - a. To the extent export sales have been falling or expected to fall, please explain why
2. A description of the current supply chain in your industry/company, including:
  - a. the percent of foreign content included in your exports/export contracts
  - b. of the foreign content, the percent from the People's Republic of China in your exports/export contracts
3. The importance, if any, in supporting foreign content shipped directly from other countries to foreign buyers

4. Why such foreign content is unable to be sourced from the United States or to be incorporated into products in the United States
5. The timing and cost implications of requiring U.S. shipping for shipments from foreign ports directly to the buyer
6. The feasibility of an EXIM prohibition on covering content from the People's Republic of China
  - a. including the impact of prohibiting use of shipping from the People's Republic of China

EXIM encourages respondents, when addressing the points above, to identify which point they are responding to by using the same numbers and heading as set forth above. For example, a respondent submitting comments responsive to (2), "Description of current supply chain in your industry/company", would use that same text as a heading followed by the respondent's specific comments responding to it. This formatting will assist EXIM in more easily reviewing and summarizing the comments received in response to these specific points of inquiry.

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